

# **VERMONT STATE TEACHERS' RETIREMENT SYSTEM**

Meeting of the Board of Trustees

**August 7, 2012**

## **Members present:**

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2015

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2016

THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013

THOMAS CANDON, representing Commissioner of Department of Financial Regulations

VAUGHN ALTEMUS, representing Commissioner of Education

ELIZABETH PEARCE, VT State Treasurer

## **Members absent:**

None

## **Also attending:**

Linda Deliduka, VRTA Alternate representative, term expiring July 1, 2016

Stephen Wisloski, Deputy VT State Treasurer

Matthew Considine, Director of Investments

Katie Green, Investments Manager

Susanne Young, Attorney General's Office

Karl Kroner, Great West Retirement Services

Chip Sanville, Great West Retirement Services

Valerie Baker, Advised Asset Group – via telephone

Laurie Lanphear, Director of Retirement Operations

Kathie Kretzer, Retirement Specialist & Executive Secretary to the Board

Monica Chiren, Assistant to Kathie Kretzer

The Chairperson, Jon Harris, called the Tuesday, August 7, 2012, meeting to order at 9:05 a.m., which was held in the Governor's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

## **ITEM 1:      Approve the Minutes of: July 12, 2012**

**On motion by Mr. McConnell, seconded by Mr. Mackey, the Board voted unanimously to approve the minutes of July 12, 2012, as submitted.**

## **ITEM 2:      403(b) quarterly update by Great West Retirement Services**

- Discussion with Advised Asset Group (AAG) – via telephone
- Website redesign update
- Retiree Seminars update

Mr. Kroner appeared before the Board and provided the Quarterly Report for June 30, 2012 for the 403(b) Investment Program. Mr. Kroner provided the plan overview. Mr. Kroner indicated there was a 5.1% increase in the plan assets from March 31, 2012 to June 30, 2012.

Mr. Kroner indicated there are 1,730 participants in the plan. Mr. Sanville indicated the continued growth was a result of both additional school districts being added, as well as additional individuals being added to the plan.

(Ms. Young entered the meeting during this agenda item.)

Mr. Kroner reviewed with the Board members the breakdown of assets. Mr. Kroner reviewed the diversification of the plan participants. Mr. Kroner reviewed with the Board members the SRI Funds, and indicated there were about 559 participants in the PIMCO Total Return Fund. Mr. Kroner discussed roll-ins and withdrawals with the Board members. There was a discussion about the asset allocation by age group.

Mr. Sanville reviewed with the Board members the field activity for the quarter. Mr. Sanville indicated it was a difficult quarter to set up meetings since it is the end of the school year. There was a discussion concerning the managed accounts. Mr. Kroner indicated he will attempt to obtain the overall average return for the managed accounts. There was a discussion concerning contacting the superintendents' organization.

Mr. Sanville appeared before the Board and provided the Quarterly Report for June 30, 2012 for the SDIA Plan. Mr. Sanville indicated the slow decline is continuing, which is expected. The Board discussed the future of the SDIA Plan and what some of the options might be. Mr. Sanville reviewed with the Board members the Key Talk and Internet statistics.

Mr. Kroner indicated to the Board members that the website redesign is progressing and that testing will be starting next month. In addition to the staff that is currently working with Mr. Kroner relative to the website redesign now, Mr. Wisloski indicated that Matt and Katie should also be included. Mr. Kroner indicated if the Board members would like to see what the screens will look like they can go to the Commonwealth of Massachusetts website and sign on as a guest. Ms. Pearce indicated Great West should work with Ram in order to make sure the website meets the criteria for vision impaired individuals.

Mr. Kroner indicated Ron Nichols is set to present the retiree seminars on September 26<sup>th</sup>. Mr. Kroner indicated there is currently one set for Rutland at 10:00 a.m. and one set for Montpelier at 5:00 p.m., downstairs in the auditorium. Mr. Kroner indicated members will be informed of the upcoming seminars.

**ITEM 3: SDIA quarterly update**

This item was covered during Item 2.

By agreement by the Board members Item # 5 was moved up.

**ITEM 4: VPIC Update**

Mr. Considine reviewed the *Vermont Pension Investment Committee (VPIC) Investment Summary* for the period ending June 30, 2012 with the Board. Mr. Considine reviewed with

the Board the policy index and allocation index. Mr. Considine answered the questions posed by the Board. Mr. Considine explained to the Board the strategy relative to the portfolio structure. There was a discussion about the switch from State Street to J.P. Morgan relative to custodial services. There was a discussion about Securities Lending.

**ITEM 5: Continuation of 403(b) quarterly update by Great West Retirement Services**

- **Discussion with Advised Asset Group (AAG) – via telephone**

(Ms. Baker entered the meeting at this time via the telephone.)

Ms. Baker reviewed with the Board members the *Economic and Capital Markets Review Second Quarter, 2012* handout. Ms. Baker reviewed the topical slide, *The "Fiscal Cliff"* with the Board members. Ms. Baker responded to the questions posed by the Board members.

(Ms. Pearce and Ms. Young briefly left the meeting during this agenda item.)

Ms. Baker reviewed the *Fund Performance Review as of 06/30/2012* with the Board members. There was a discussion about the SRI funds and target date funds. In response to Mr. Considine's question Ms. Baker indicated she will obtain what benchmarks are used for the alpha and beta for the target date funds and provide them to Mr. Kroner.

(Ms. Baker, Mr. Kroner and Mr. Sanville left the meeting at this time.)

(A recess was taken from 10:30 a.m. to 10:45 am.)

**ITEM 6: Continuation of VPIC Update**

Ms. Pearce reviewed with the Board members the fees for J.P. Morgan and State Street relative to the RFP process. The Securities Lending discussion continued. There was a discussion concerning the level of risk in the VPIC portfolio. There was a discussion about the Libor manipulation. Mr. Wisloski indicated Mr. Considine reviewed the portfolio relative to the Libor index and indicated there were a low number of impacts. There was a discussion about the rate of return and the health care costs. Mr. Mackey inquired about socially investing and tobacco and what the cost of not investing in tobacco has had on the portfolio.

(Mr. Considine and Ms. Green left the meeting at this time.)

**ITEM 7: John Eldridge request**

The Board discussed the John Eldridge request.

**On motion by Ms. Pearce, seconded by Mr. Altemus, the Board voted unanimously to enter Executive Session at 11:20 a.m. pursuant to Title 1, § 313 for the purpose of discussing personnel issues.**

(The Board exited Executive Session at 11:35 a.m.)

**On motion by Mr. Altemus, seconded by Ms. Pearce, the Board voted unanimously to affirm the staff's recommendation to disallow a change in beneficiary since changing a designated beneficiary is not permissible under statute.**

Ms. Lanphear indicated she will send out a letter to Mr. Eldridge informing him of the Board's decision, in addition to sending him a copy of Ms. Young's memorandum.

The Board discussed health care and the subsidy for spouses since the recent changes. Ms. Lanphear indicated she will provide information to the Board members to provide further guidance relative to the new interpretations.

There was a discussion relative to the counseling that the Retirement Specialists provide, and the options, pop-up option, and QDRO's.

**ITEM 8: In lieu of Benefits Discussion**

Ms. Lanphear indicated to the Board members the contracts are now required for administrators. There was a discussion about rule making and policy guidelines. Even though the review of the policy guidelines was going to be after the new computer system is implemented, Ms. Pearce indicated the staff will review the statutes to obtain what is supported by statute and what policies are needed. Ms. Pearce indicated they will present something to the Board at the next meeting of how they should proceed relative to the statute and policy guidelines.

**ITEM 9: Any other business to come before the Board**

Ms. Pearce provided a VPAS update indicating the staff is currently doing data clean-up for the actuary annual report. Ms. Pearce indicated this will also provide cleaner data going into the annual statements for members.

Mr. Mackey indicated the NCTR conference is coming up in October. Mr. Harris indicated if anyone is interested in attending they should provide the information to the Board.

Ms. Lanphear indicated there were 495 retirees in July, with 403 being teachers. Mr. Harris indicated the recent feedback he has heard about the Retirement Specialists has been very good.

**ITEM 10: Adjournment**

**On motion by Mr. Altemus, seconded by Mr. McConnell, the Board unanimously voted to adjourn at 12:01 p.m.**

**Next Meeting Date:**

The next scheduled VSTRS meeting is a conference call on Thursday, September 13, 2012 at 3:30 p.m.

Respectfully submitted,

Kathie Kretzer  
Executive Secretary to the Board